

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON 25, D. C.

Industry Circular No. 59-26

May 6 , 1959

AMENDMENT OF 26 CFR PART 197

Manufacturers of nonbeverage products
and others concerned:

Purpose. The purpose of this industry circular is to advise you of a proposal published in the Federal Register on April 21, 1959, to amend regulations (26 CFR Part 197) relating to drawback on distilled spirits used in manufacturing nonbeverage products.

Background. Public Law 85-859 liberalizes the provisions of the Internal Revenue Code of 1954 in respect of nonbeverage drawback and otherwise makes it necessary to amend the regulations in 26 CFR Part 197. These changes are effective July 1, 1959. The proposed amendments to the regulations, reflecting the changes in the law, are discussed below.

Discussion. Present law and regulations provide that drawback of tax on distilled spirits used in the manufacture of nonbeverage products may be allowed as to spirits or alcohol produced in a domestic registered distillery, fruit distillery, or industrial alcohol plant. Under the amended law, the concept of three different types of producing plants is eliminated. Instead, there will be only one type of plant, that is, a distilled spirits plant. The law will extend the privilege of drawback to distilled spirits or alcohol withdrawn from the bonded premises of a distilled spirits plant. One effect of these changes will be to extend the drawback privilege to imported alcohol which is withdrawn taxpaid on and after July 1, 1959, from the premises of a distilled spirits plant.

Present bonds on Form 1730 are not in conformity with the changes discussed above; therefore, it will be necessary for you to file a new bond if you wish to make monthly claims for drawback on any spirits or alcohol taxpaid on and after July 1, 1959. The new bond will be filed on the June, 1959, revision of Form 1730. A supply of the revised form will be available in offices of assistant regional commissioners (alcohol and tobacco tax) before July 1.

The restriction in present regulations, that spirits recovered from the dregs or marc of percolation shall be used only in the manufacture of products of the kind in which originally used, will be eliminated.

Comments. Prior to the adoption of the proposed amendments, consideration will be given to any data, views, or arguments which are submitted in writing, in duplicate, to the Director, Alcohol and Tobacco Tax Division, Internal Revenue Service, Washington 25, D. C., within 30 days from the date of publication of the amendments in the Federal Register.

Inquiries. Inquiries in regard to this circular should refer to its number and be addressed to the office of your assistant regional commissioner (alcohol and tobacco tax).

A handwritten signature in cursive script that reads "Dwight E. Avis".

Dwight E. Avis
Director, Alcohol and Tobacco Tax Division